

PRESS RELEASE

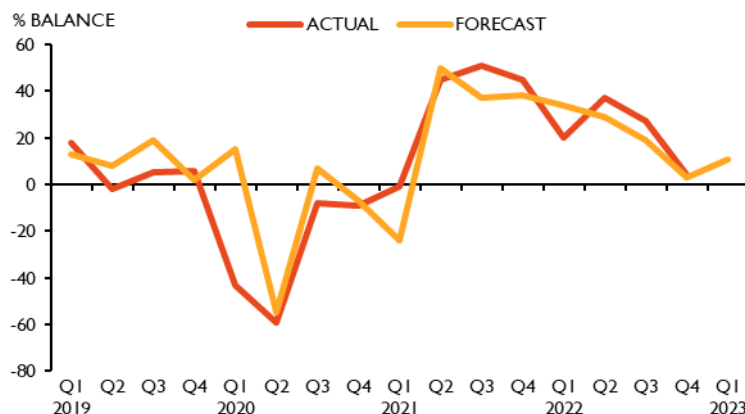
14 February 2023

UK PRINTING SUBDUED IN Q4 AS OUTPUT AND ORDERS UNDERPERFORM – CONFIDENCE IS DEPRESSED BUT END TO COST CRISIS AHEAD

Growth in output and orders was only marginally positive in Q4 as the reality for performance in the UK printing and printed packaging industry turned out almost exactly as the forecasts provided in the previous quarter. The expectation for Q1 is for a slight performance improvement to be realised. Despite the heightened economic and political uncertainty, the extreme energy cost shocks, and a continuation of price inflation amongst all cost areas – many firms in the industry have at least been able to find some stability in their own performance. However, there was still a significant minority of companies that have not been able to prevent a contraction in their business in Q4.

The latest *Printing Outlook* survey reveals that one-third (33%) of printers managed to increase their output levels in the final quarter of 2022, a further 38% were able to hold output steady. However, the remaining 29% did experience a decline in their output levels. The resulting balance (the difference between the ups and the downs) was +4, well below the +27 in Q3, but just above the Q4 forecast (+3). A seventh consecutive quarter of positive output growth is very welcome but is of course becoming harder to maintain as we move beyond the sharp Covid-enforced decline in 2020, and the extended recovery period from that.

VOLUME OF OUTPUT - Q4 GROWTH FELL IN-LINE WITH FORECAST



Source: BPIF Printing Outlook

The output balance of +4 was just above the forecast of +3 for Q4. A balance of +11 is forecast for Q1.

A slightly more positive output balance is expected in Q1. Output growth is forecast to increase for 35% of companies, 41% predict that they will be able to hold output levels steady in Q1. That leaves 24% expecting output levels to fall. The resulting balance forecast is +11 for the volume of output in Q1. This Q1 forecast has been formulated amongst an expectation that cost inflation may have peaked but is limited by uncertainty surrounding continued Government support to help with energy costs.

Confidence, in Q4, continued to fall in-line with expectations – and has now, for the first time in two years, returned a negative balance. Confidence is now expected to remain at a depressed level in Q1 this year. As previously identified, lingering and extreme cost pressures,

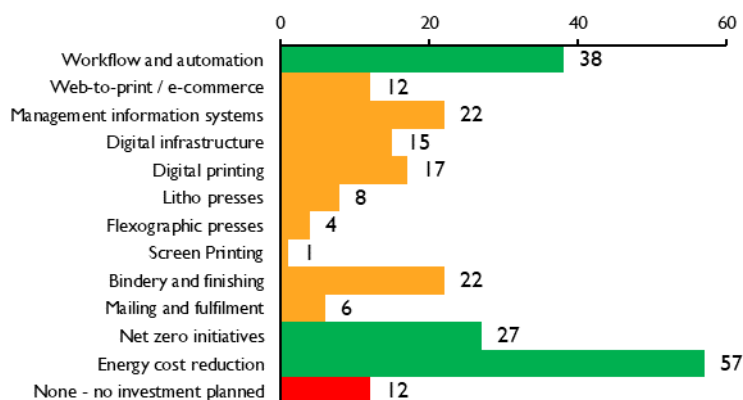
combined with a resurgence in economic uncertainty and political instability, has clearly eroded earlier recoveries in confidence.

With concerns over confidence, traditional investment targets seem to be attracting a cautious approach according to current investment intentions for 2023. However, some areas are receiving a significantly increased investment focus. Investment in plant and machinery, and buildings, may well be subdued this year as companies take a cautious approach to expenditure in those areas. Product and process innovation investment is also looking likely to be restrained. However, training and retraining, and net zero and energy efficiency initiatives are attracting significantly increased investment.

Companies were asked to select their top three investment targets for the next 12 months. A few areas stand out – energy cost reduction is the clear front runner. Workflow and automation, and net zero initiatives follow behind, ahead of bindery and finishing, and management information systems.

Energy cost reduction was identified as a top three investment target by 57% of respondents, 38% selected workflow and automation, and 27% net zero initiatives. 22% of companies reported that management information systems would be a top-three priority, as did 22% for bindery and finishing. 12% of respondents recorded that they did not intend to make any investments in 2023.

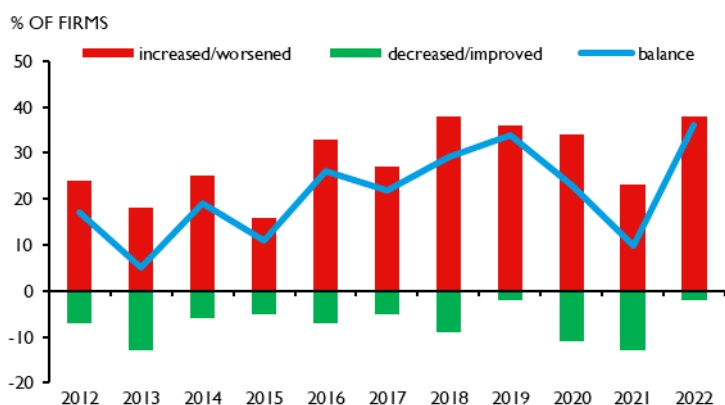
TOP INVESTMENT TARGETS - % OF RESPONDENTS SELECTING



Source: BPIF Printing Outlook

The most noticeable recent changes around access to finance and credit conditions have been an increase in the cost of finance, and an increase in levels of late payment and bad debt. Late payment in the printing industry is a long-standing concern that tends to periodically spike; and that's exactly what appears to be currently happening. The balance of change in the incidence of late payments in 2022 (the blue line in the chart) has increased from 2020, to a level not seen in the last 11 years. 38% of respondents reported an increase in the incidence of late payments by customers in the past 12 months (up from 23% in 2021), 2% reported an improvement. The incidence of late payment chart attempts to show how the resulting balance (+36 in 2022) is derived from the increases and decreases since this question was introduced to the survey in 2012. The latest balance is not only deep in the red zone, but also the highest on record.

INCIDENCE OF LATE PAYMENT BY CUSTOMERS



Source: BPIF Printing Outlook

The BPIF Printing Outlook Q1 2023 report also features sections industry turnover, business concerns, capacity, costs, pay reviews, paper and board – and much more. Included for the first time is some global insight from Messe Duesseldorf and their latest drupa Global Trends Report.

Kyle Jardine, BPIF Economist, said:

“The UK printing industry is continuing to recover but it is not finding it easy to maintain this recovery. The wider economic landscape has dented industry confidence; and growing industry turnover statistics mask the challenges in a way that paper, board, and ink consumption statistics do not.

“Companies are adapting, and many are still looking to grow. The full report shows that investment budgets and priorities for many companies have been re-evaluated in the wake of the current cost crisis – difficulties in recruiting labour have focused investment towards automation and workflow efficiencies; and high energy costs have made net zero and energy efficiencies a much more popular target.”

Summary of key findings:

- Growth in output and orders was only marginally positive in Q4 as the reality for performance in the UK printing and printed packaging industry turned out almost exactly as the forecasts provided in the previous quarter. The expectation for Q1 is for a slight performance improvement to be realised.
- Confidence, in Q4, continued to fall in-line with expectations – and has now, for the first time in two years, returned a negative balance. Confidence is now expected to remain at a depressed level in Q1 this year.
- Energy costs remain the top business concern for printing companies, they have now been the number one concern for the last year.
- Turnover forecast estimates for December and January have been downgraded, but some growth is still expected to return in February and March this year.
- Industry capacity utilisation in January was noticeably lower than in October, though there was a higher proportion operating at between 80% and 89% capacity.
- Recruitment challenges continue to thwart employment intentions, but there has still been a net positive balance of companies increasing their employment levels in Q4.
- Average price levels continued to increase for most companies in Q4, though that is no longer expected to be the case in Q1.
- Extensive and persistent cost pressure remains a dominant feature affecting companies in the printing and printed packing industry, however there is now an expectation that this pressure is going to ease in 2023.
- Paper, board, and other substrate costs is the largest cost component with a 36% share, on average, of total costs.
- More printers have been able to hold margins steady but, on balance, cost inflation has still outweighed output price inflation to put margins under more pressure in Q4.
- Over one-third (34%) of respondents reported that they had conducted a pay review in Q4, the resulting average (mean) change in basic pay was 5.2%.
- Traditional investment targets seem to be attracting a cautious approach according to current investment intentions for 2023, however some areas are attracting a significantly increased investment focus.
- The most noticeable recent changes around access to finance and credit conditions have been an increase in the cost of finance, and an increase in levels of late payment and bad debt.
- It turned out to be a disappointing Q3 as far as UK consumption of printing papers and boards is concerned. Consumption in Q3 2022 was considerably lower than in Q2 2022, and significantly lower than Q3 2021.
- Printing ink sales fell sharply in Q3 2022 pushing annualised sales down to a level last seen at the height of the pandemic fallout in late 2020 and early 2021.
- The last quarter has seen a very significant – and welcome - easing of wholesale electricity and natural gas prices, as mild weather and demand reductions have reduced the pressure on energy supplies for the winter.

Featured in *Printing Outlook* this quarter:

- Output and orders – last quarter and forecast for this quarter.
- Turnover – annual and monthly turnover analysis and forecasts.
- Business confidence and concerns.
- Capacity – utilisation and constraints.
- Costs – paper & board, ink, labour, energy and average cost structure.
- Trend data on employment, prices, costs, and margins.
- Profits, cash flow and productivity.
- Pay Reviews – activity and average % changes.
- International trade – export orders and price trends.
- Investment – key targets.
- Financing and credit conditions – access to finance, late payment, and payment terms
- Industry insolvency and financial health statistics.
- Consumables – paper consumption and printing ink data.
- Energy – sector update and comment.
- Global printing outlook – drupa Global Trends.

For further information on *Printing Outlook* go to www.britishprint.com/printingoutlook

For any queries on this release please contact kyle.jardine@bpif.org.uk

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Endorsements:

"The BPIF Printing Outlook report is a really useful tool for myself and co-Directors in viewing the performance of the print industry as a whole, keeping us up to date with current trends and offering a snapshot of member performance in an easy to digest format."

"Most importantly, the report acts as a trusted and valued voice of the marketplace, presenting a unique round up of the most crucial issues effecting members in this diverse and fast-paced industry."

Jacky Sidebottom-Every

Sales Director, Glossop Cartons

"In everyday life we get a raft of information thrown at us. The thing I like about Printing Outlook is the fact its questions are written by people who understand our industry, they are addressed to people working at the heart of our industry and they are presented back to us by people who represent the members of our industry. It's clear, well laid out and with relevant narrative and interpretation."

Miles Linney

Managing Director, Linney Group

"I believe it's important to take part in responding to the BPIF Printing Outlook questionnaire - the more respondents there are the better the information coming back, so I feel we have a responsibility to do take part."

"The report itself it provides an interesting insight into the state of our industry and the immediate trends in a quick to understand, easy to use format - it helps us know where we are, and where our sector is in the mix."

Darren Coxon

Managing Director, Pensord

"I read Printing Outlook in order to better understand the health and direction of the BPIF members and of the print industry. We cross-reference the reports with our own findings to compound our understanding of key industry trends."

"I contribute to Printing Outlook so that our views and experiences can be both shared with the Industry and also represented by the BPIF at different levels – which should make us collectively stronger. I find that the more one puts in, the more one gets out."

James Buffoni

Managing Director, Ryedale Group

"Printing Outlook gives me an idea of how our industry as a whole is feeling. This is really important in this Brexit era in planning our marketing and any investments. This coupled with information from the BPIF acts as our barometer."

Terrye Teverson

Managing Director, KCS Trade Print

"The BPIF Printing Outlook report has become a reliable barometer for Kodak to gauge the condition and trends of the printing industry. As well as an in depth read the report also expresses the data with easy to understand graphic charts which can be quickly digested and explained to an audience. It helps define decision-making and market approach – which is so crucial to a company like Kodak."

David McGuinness

Marketing Manager, Kodak UK & Nordics

"We are sometimes in our own world trying to ensure our businesses are successful, Printing Outlook enlightens us as to what is actually happening in the rest of the Industry. It has clear and concise information that is easy to understand and it helps to enhance the decisions that may have to be made in the future. I am sure we all get a lot of publications that drop on our desks but Printing Outlook is a must read for me. Well done BPIF keep the Printing Outlook coming!"

Ian Wilton

Operations Director, CDS

Editors' Notes

The online trading trends survey was carried out during 4-23 January 2023 and received responses from 102 companies employing 5,317 people with a combined turnover of just over £820 million. For more information on Printing Outlook, visit www.britishprint.com/printingoutlook/

The BPIF is the principal business support organisation representing the UK print, printed packaging and graphic communication industry. We are one of the country's leading trade associations and we strive to ensure our members' requirements come first. Through listening to their needs, we have developed an unrivalled range of products and services that go well beyond those provided by a traditional trade association.

We provide the highest standard of support for printers to grow and develop healthy, sustainable, and profitable businesses, aiming to provide an environment geared towards their businesses' success. Here at the BPIF, we offer practical, value-adding solutions for all areas of a print organisation, ranging from Health, Safety, Environmental and Quality issues; with the implementation of HR requirements; provide resolutions of technical or legal issues; as well as advice and support on marketing, sales, and finance. This is all delivered by individuals and teams of highly skilled and experienced print and media industry specialists.

We also offer a wide range of opportunities for networking both regionally and nationally, including prestigious events, special interest groups, seminars, conferences, workshops, training, and short courses on a wide range of topics and skills.

For more information on the BPIF, visit www.britishprint.com

The British Printing Industries Federation (BPIF)

The BPIF is a thriving, best-in-class trade association invigorating a modern, progressive print industry. We inspire those within the UK print, printed packaging and graphic communication industries to see opportunities for growth. Our members form a diverse and influential community and together we ensure the industry's voice is heard in Government.

We help solve business problems and drive strategic change providing the highest standard of support so our members can grow and develop healthy, sustainable, and profitable businesses.

For more information on the BPIF, visit: www.britishprint.com